

SECRETDPS-6576
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31 December 1958

MEMORANDUM FOR: Security Officer, DPS/DCI

SUBJECT : General Accounting Office Audit Approach to Sub-Contractor

1. Reference is made to memorandum dated 24 December 1958, copy number two of which was furnished to the Security Officer concerning an auditor in the General Accounting Office approaching Fairchild Camera & Instrument Company who is a sub-contractor to ITEK Corporation who is a sub-contractor to Lockheed Aircraft Corporation with whom the organization holds a prime contract. The communication suggests that the General Accounting Office auditor be restricted in his efforts but the reason for such restriction was not stated.

2. There are several obvious questions and/or observations that would be raised by the General Accounting Office should they be contacted with a request that they recall their auditor from his cost examination at Fairchild Camera & Instrument Company. They would want to know what security objection could possibly be involved if the General Accounting Office auditor was aware only that he was examining costs in Fairchild Camera and Instrument Company that pertain to a contract held with ITEK Corporation. The auditor would not need to know of the ultimate user of the end product and he should not ask or be told. The General Accounting Office auditor could possibly be satisfied to the extent that he would not even approach the ITEK Corporation, but even should he pursue his functions into ITEK, he should not learn anything about the Agency unless some witting employee in ITEK should be careless.

3. It is my view that the General Accounting Office would be reluctant to intervene in any audit process prior to the time that the auditor would be approaching Lockheed Aircraft Corporation wherein, if such an audit were performed, he would be able to possibly guess the entity of the Government holding the prime contract with Lockheed Aircraft Corporation. I would recommend that we not contact the General Accounting Office in an attempt to lessen their cost audit examination until we have reached a point where there is security danger.

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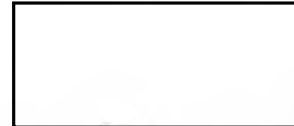
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4. If you are in a position to supply me with specific security objection to the audit in light of the points mentioned, we will follow through with the General Accounting Office. In the event you agree that we should not at this time interfere with the auditor, please so indicate by signature in the space provided below. The Contracting Officer should also be aware of the security determination as he may desire to keep the prime contractor informed so he in turn will be in a position to notify the sub-suppliers of their responsibilities.

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Comptroller, DPS/DCI



CONCUR: Recommendation Para 3

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Security Officer, DPS/DCI

Dist: O & 1 - Add

3 - Dep Proj Dir. (Info: SA/PD/DCI)

4 - Contracting Officer, DPS/DCI

5 - Contr RT-100 (Fin)

6 - Reading (Fin)

7 - Chrono

DNO:vh

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